

UNCLASSIFIED

10

INT 544/1

Thursday, September 13, 1945

Conference with the President (2:45 PM)

I entered the President's office as soon as I arrived at the White House. My principal purpose was to discuss the Navy budget rescissions.

The President was glancing over some editorial clippings, and he remarked that he was just looking at "the day's poison." He commented on the arguments that are developing as to which direction he is going, to the right or to the left. I said I had noticed that he had been quizzed about this at the recent press conference. I told the President that when Senator Taft had quizzed me during the hearing on the full employment bill, I had one advantage - namely that the issues would be fairly clearly presented through the public record of the hearing. I had indicated to Taft that I was accustomed to hearing criticism that the Government was going to the right or to the left, when, in fact, it was just going up the center. The President laughed and seemed to appreciate my response to Taft.

I reviewed the Navy budget, pointing out that about the best we could do was to cut appropriations from \$25.8 billion to \$17.5 billion. I briefly went over the major items, indicating why they could not be cut much further at this time in view of the obligations already outstanding. It had been decided best, for example, to finish certain of the ships which were 50 per cent or more toward completion. I wanted particularly to bring the attention of the President to the solid and inflexible nature of what was left, pending a reduction in the size of the Navy. I admitted that the figures were alarming to me. I explained that if we considered the total postwar budget of the Federal Government as something in the neighborhood of \$25 billion, we had a considerable problem on our hands which the Government and the people of the country had to face squarely. In short, our work on the Navy budget, to say nothing of the Army budget which was coming up later, revealed that many of the plans for the postwar Navy are entirely too ambitious and are utterly out of the question in relation to the total Government program.

The President expressed great concern as he looked over the figures, frequently shaking his head and knitting his brow. He referred then to a meeting which we are to have in the morning with Secretary of the Navy Forrestal, Senator Walsh (Chairman of the Senate Naval Affairs Committee), Rep. Vinson (Chairman of the House Naval Affairs Committee), and others to discuss the size of the postwar Navy. I urged the President to be firm with these gentlemen and suggested that if he did not mind, I would play the role of devil for him. He said, "That is just what I want you to do." I felt that this represented the first time, to my knowledge, that the President had to face the stern realities of the postwar military budget in relation to the possible total Federal budget.

UNCLASSIFIED

UNCLASSIFIED

INT 544/2

The President read and signed the estimates letters, which he complimented. As he signed them he said, "No one can object to this except the Navy!" and he laughed.

Then I quickly took up several other items. I mentioned the fact that I had indicated to John Snyder (Director of War Mobilization and Reconversion) that he might suggest that the President talk with Rep. Cannon (Chairman of the House Appropriations Committee). The President said that he was now trying to reach Cannon, in view of the fact that Snyder had passed along this suggestion. I told the President of my talks with Cannon, which indicated that Cannon still took the position that he would cut deeply the agency budgets even if supplemental estimates were necessary later. I thought that this was an alarming way to approach the problems we now face. The President expressed great concern and no little distrust of Cannon. I reported also on my talks with Representatives Woodrum and Dirksen (House Appropriations Committee). The President wanted to know about their attitude, and I explained that they were most cooperative. The President said that he would reach Cannon as soon as possible.

I referred briefly to the Office of Strategic Services and to the fact that General Donovan (Director of OSS) was storming about our proposal to divide his intelligence service. The President said that Donovan had brought someone into his office this morning, but they did not talk about this matter. The President again commented that he has in mind a broad intelligence service attached to the President's office. He stated that we should recommend the dissolution of Donovan's outfit even if Donovan did not like it. I told the President that this was precisely my attitude. However, I wanted to check this point with him before we went ahead with our work.

Next I mentioned Smaller War Plants, and the President commented that this subject was a headache which he would like to have cleared up. I explained that Sam Rosenman had indicated that the President wanted us to move fast. I inquired then about what he meant by that, especially since Maury Maverick (Chairman of the Smaller War Plants Corporation) was going away for about 10 days. I reported that I had seen Maverick at lunch and that he had said something to the effect that he was like the fellow who had been in a street brawl - that he now had decided to go peacefully. The President laughed and went on to say that he probably would have something else for Maverick later.

I then told the President that I had talked with T. V. Soong (Premier of China), who had mentioned his conversation with the President about sending some Budget staff to China on government organization. I reviewed our discussion quickly, but rather fully. The President said he hoped that we could be helpful to China in many ways.

UNCLASSIFIED

Conference with the PresidentSeptember 13, 1945

UNCLASSIFIED

INT 544/3

He mentioned that he has had some conversations on this subject with Locke (who replaced Donald Nelson as personal representative of the President in China). The President rather emphasized that we should do everything we can to be helpful. He feels that China is friendly to the United States, and he added that he is not so sure of some other countries. I commented that I thought the kind of aid which we might offer could be helpful in quite a number of respects, and that it seemed to me that this sort of thing means the difference between paper-pushing international relations of a sterile character and real assistance. The President emphasized this distinction at length.

With respect to the War Department, I mentioned the rumors concerning the Secretary's retirement (Mr. Stimson) and the fact that my staff was worried that there might be a complete turnover. The President said that we need not worry, for no such thing would happen. He proved his point by telling me confidentially who would be the new Secretary of War, and that under no circumstances would he permit a rapid turnover in the War Department. I indicated to the President that this would be very helpful in connection with some of the work we have been doing with the War Department.

Something then came up about the nasty decisions which would have to be made in connection with reorganization. The President said, "Let's make them and get them over." I had to tell him that he would have to make many of these decisions before we could clean up some of these matters. "I want to make them," he said, "and I want to get reorganization of the Government under way as fast as possible." I got the distinct impression that he would sign Executive Orders as quickly as we sent them to him.

UNCLASSIFIED